



Emergency and Accessibility Loan Program Procedural Manual

September 27, 2013

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Introduction

Mission Statement

The Minnesota Housing Finance Agency (“Minnesota Housing”) is committed to meeting Minnesotans' needs for decent, safe, affordable homes and stronger communities.

Background

Minnesota Housing was created in 1971 by the Minnesota Legislature.

Minnesota Housing created the Emergency and Accessibility Loan Program (the “Program”) to finance repairs resulting from situations or conditions that could cause or have caused a home to become uninhabitable. The needs of low income homeowners, those with emergency financing needs and those with a Disabled Household Resident were considered when the Emergency and Accessibility Loan Program was designed. Income limits for the Program were established to target households with the greatest need.

Procedural Manual

This Procedural Manual sets forth for Lenders the terms and conditions under which Minnesota Housing will purchase mortgages originated under the Program.

Emergency and Accessibility Loan Program

Deferred, zero percent interest Program Loans are available to low income single family homeowners through participating Lenders. These loans address Emergency Conditions in the home or essential Accessibility Improvements for a Disabled Household Resident.

Chapter 1 – Partner Responsibilities/Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement (hereinafter referred to as the “Agreement”) for Minnesota Housing programs executed between Lenders and Minnesota Housing. It is incorporated into such Agreement by reference and is a part thereof as fully as if set forth in such Agreement at length.

Minnesota Housing reserves the right to:

- Change the Program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements herein;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing grants waivers, alterations or revisions at its sole discretion.

1.02 Evidence of Misconduct Referred to Attorney General

- Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Program to the Minnesota Attorney General’s Office for appropriate legal action.
- If, after a loan is made, a Lender discovers any material misstatements or misuse of the proceeds of the loan by the Borrower or others, the Lender shall promptly report such discovery to Minnesota Housing.
- Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Lender and/or the Borrower. This includes loan funds, together with all applicable administrative costs and other fees or commissions received by the Lender in connection with the loan and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the loan or recovery thereof.

1.03 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrowers with the Tennesen Warning and the Privacy Act Notice when requesting private data¹; and
- Governs when the disclosure of the Borrower’s Social Security Number is required.

¹ Only the Borrower’s name, address and amount of assistance received are public data and may be released to the public. All other data are private and may be released only to those authorized access by law.

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Sections 270A.01 to 270A.12) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of funds held by the State, including but not limited to tax refunds, to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.04 Unauthorized Compensation

Lender may receive fees approved in this Procedural Manual. However, Lender shall not receive or demand from builder, remodeler, contractor, supplier or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or
- Other compensation.

In order to reduce the total rehabilitation cost associated with an eligible property, a Lender may receive discounts² from the seller, builder, remodeler, contractor or supplier.

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan originated for purchase by Minnesota Housing. A loan file may be requested to be made available to Minnesota Housing at the Lender's office during regular business hours or forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing Program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the Program in part or in whole.

1.06 Termination of Lender Participation

Minnesota Housing may terminate the participation of any Lender under this Procedural Manual at any time and may preclude Lender's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Agreement;

² Discounts must be considered normal and do not constitute a kickback, commission, rebate or compensation to the Lender for services or products rendered.

- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state Laws or Acts that protect the Borrower's rights with regard to obtaining financing for home improvements; and
- Other applicable state and federal laws, rules and regulations.

Upon termination of a Lender's Agreement Minnesota Housing will continue to purchase eligible loans for which a commitment has already been issued, until the commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Lender nonperformance.

Lender may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate a Lender shall be at Minnesota Housing's sole discretion.

1.07 Representations and Warranties

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following (and any applicable rules, regulations and orders thereunder):

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- Truth in Lending Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;

- Internal Revenue Code of 1986, Section 6050H;
- Real Estate Settlement Procedures Act of 1974; and
- Code of Federal Regulations (24 CFR part 35).

In addition to the above warranties and representations, Lender also warrants and represents that it:

- Lender is the sole owner and holder of the loan with the right to assign it to Minnesota Housing;
- Lender has assigned the loan free and clear of all encumbrances;
- Lender has complied and will continue to comply with all terms and conditions in the Agreement and this Procedural Manual for each loan processed unless prior written approval is obtained from Minnesota Housing;
- Lender is a legally constituted public or governmental agency, political subdivision, nonprofit entity as defined by Minnesota Housing, a housing and redevelopment authority, or other organization designated by Minnesota housing, which has as a primary purpose, the provision or development of affordable housing to low-income persons or households in Minnesota;
- Lender is contracted under the Rehabilitation Loan Program;
- Lender maintains capital and trained personnel adequate to render the services required as a part of the Lender's participation in the Program;
- Lender maintains adequate insurance on its employees in the form of a Fidelity and Forgery Bond and can supply written proof of this coverage to Minnesota Housing;
- Lender tracks all applicants to document to compliance with federal Fair Housing and documents reasons for loan denial for future Program evaluation;
- On the date each loan was closed:
 - Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual;
 - After reasonable inspection, the Lender has no knowledge that any improvement included in the loan is in violation of applicable zoning ordinances, building ordinances, laws or regulations; and
 - The Lender has closed the loan in accordance with the instructions provided in this Procedural Manual.
 - Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual;
 - After reasonable inspection, the Lender has no knowledge that any improvement included in the loan is in violation of applicable zoning ordinances, building ordinances, laws or regulations; and
 - The Lender has closed the loan in accordance with the instructions provided in this Procedural Manual.

The Lender also agrees that the person who confirms on Loan Commitment System the Lender Representations and Warranties on behalf of the Lender is fully conversant with Minnesota Housing program requirements, and has the authority to legally bind the Lender; and Lender has complied with all terms, conditions and requirements of the Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived by Minnesota Housing, in writing.

1.08 Lender Compensation

- Minnesota Housing will provide funds to defray a portion of the expense incurred by providing Lender services, including but not limited to staff salaries, office expenses, travel expenses, counseling and technical assistance. Lender is compensated for each Program loan purchased by Minnesota Housing:
- At a rate of 10% of the loan amount, capped at \$1,200 per loan; and
- Lead paint risk assessment costs if a household resident has an Environmental Intervention Blood Lead Level (EIBLL).

1.09 Selection of Contractors

Lender must permit the Borrower to choose contractor(s).

1.10 Borrower Selection

Lender must establish a Borrower selection process.

Chapter 2 - Borrower Eligibility Requirements

2.01 Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

2.02 Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.03 Co-Signers

Co-signers are not permitted on Program loans. All Borrowers must occupy the property as their Principal Residence.

2.04 Ownership Interest

The Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved. Except that if a mobile/manufactured home is to be rehabilitated and it is taxed as personal property, the Borrower(s) ownership interest requirement is 100%.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Borrowers under this Program must have clear title to the subject property as evidenced by a title search or title opinion and a copy of the deed.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A leasehold estate;
- A community land trust;
- A mobile/manufactured home taxed as real property;
- A mobile/manufactured home taxed as personal property and located in a mobile home park; or
- A leasehold estate subject to a Community Land Trust.

Title may be held in the following ways:

- Individually;
- Joint Tenants;
- Tenants in Common;
- Tenancy by the Entirety;
- Vendee interest in a recorded contract-for-deed³; or
- A recorded life estate, excluding remaindermen⁴.

Ineligible forms of ownership include but are not limited to the following:

- Shares in a Cooperative Corporation;
- Ownership interest by any form of trust; and
- Ownership interest subject to a reverse mortgage.

2.05 Principal Residence/Occupancy Requirements

Borrower must have owned the property and resided in the property as his/her Principal Residence for at least 6 months prior to the start of rehabilitation. Further, the Borrower must continue to own and regularly reside in the property as his/her Principal Residence during the term of the loan.

2.06 Emergency and Accessibility Loan Program Application

All Borrowers must apply for the Program through approved Lenders using the Minnesota Housing Borrower Application.

2.07 Prior Minnesota Housing Assistance

A Borrower who has previously received financing through the Program and/or the Rehabilitation Loan Program, may be eligible for additional Program funds assuming all loan requirements have been met and an Emergency has been identified.

2.08 Minnesota Housing Program Eligibility Income

Gross annual household income is the gross annual projected household income verified within 120 days of the application date of all residents age 18 and over of the Borrower's household, from whatever source derived (with the exception of incidental income from after school employment of persons under 18 years of age) and before taxes or withholdings – less deductible medical expenses allowed. (See Income Eligibility Calculation Worksheet.) The Minnesota Housing maximum gross household income cannot exceed the amounts listed on Minnesota Housing's Website.

³ Borrower must get prior approval from contract for deed vendor. Vendor will be required to sign the Mortgage as an Accommodation Party.

⁴ Remainderman will be required to sign the Mortgage as an Accommodation Party.

Gross annual projected household income includes:

- Salary, commissions, bonuses, tips, earnings from part-time employment;
- Interest, dividends, gains on sale of securities;
- Annuities, pensions, royalties;
- Veterans Administration compensation, public assistance, social security benefits, unemployment compensation and sick pay;
- Net rental income, income received from business activities or investments;
- Alimony, child support;
- Estate or trust income;
- Seasonal employment income;
- Ongoing educational grants; and
- Contract-for-deed income deducting principal, interest, taxes, and insurance paid by property Administrator on outstanding debt against the property. (Deductions cannot exceed the contract-for-deed income.)

If a Borrower's gross annual income is zero or a negative amount, the Borrower is ineligible for financing.

2.09 Minnesota Housing Maximum Asset Limit

The total assets of all residents in the household may not exceed \$25,000.00 after deducting any outstanding indebtedness pertaining to the assets.

Assets include, but are not limited to, the following:

- Cash on hand or in checking or savings accounts;
- Securities or United States Savings Bonds;
- Market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two contiguous platted lots or 160 continuous acres on which such structure is located;
- Cash value of life insurance policies;
- Recreational vehicles such as golf carts, snowmobiles, boats, or motorcycles;
- All land in which any resident of the household holds title and is selling on a contract-for deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application;
- Life estate value on a property other than the subject property; and
- All other property, excluding household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

2.10 Credit Requirements⁵

Borrower must be:

- Current on mortgage loan payments and up to date on real estate taxes.
- Unable to obtain financing under equivalent terms elsewhere.

2.11 Separated Spouses

When the Lender establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Program loan application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation.
- Proof of initiated divorce proceedings.
- Verification of separate Principal Residence and absence of joint accounts.

2.12 Loans to Employees and Affiliated Parties

Lender may make Minnesota Housing loans to their directors, officers, employees and/or their families as well as to builders, realtors and/or their families, and any other principal with whom the Lender does business. Minnesota Housing employees and/or their families are eligible subject to approval by the Minnesota Housing Board of Directors. The Borrower must satisfy all eligibility criteria for the Program.

⁵ Credit Reports are not required and should not be ordered by the Lender.

Chapter 3 - Property Eligibility Requirements

3.01 Eligible Properties

Properties eligible for a loan must be located in the State of Minnesota and may include any of the following property types:

- A single family detached home;
- A duplex⁶;
- An eligible unit in a Planned Unit Development (PUD);
- A unit of a condominium⁷;
- A townhome⁸; or
- Certain mobile/manufactured homes (as outlined in Section 2.04).

3.02 Ineligible Properties

Properties ineligible for a Program loan include but are not limited to:

- Properties containing three or more units
- Properties intended for recreational use;
- Properties intended to be used as an investment property (except the rental of a second unit in a duplex); and
- Properties primarily used for business (more than 50% of the floor space is used for the business).

3.03 Property Inspections

The Lender must conduct inspections of the property as follows:

- The first inspection determines the property's emergency conditions or essential accessibility needs without regard to lead hazards (except if addressing lead paint due to an Environmental Intervention Blood Lead Level (EIBLL)) and is used to prepare the initial Scope of Work.
- Additional inspections should demonstrate that construction has been completed according to the Scope of Work and that the quality of the work is satisfactory. The Lender may conduct additional inspections as work is completed.

Minnesota Housing reserves the right to inspect properties during any stage of the rehabilitation process with reasonable notice.

⁶ The Borrower must occupy one unit of a duplex property.

⁷ If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

⁸ If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

3.04 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all appropriate permits must be obtained.

Chapter 4 – Loan/Rehabilitation Eligibility

4.01 Eligible Loans

Minnesota Housing purchases closed loans from Lenders if the loan satisfies all the requirements of the Procedural Manual.

4.02 Loan Amount

- Maximum loan amount is \$15,000.
- Minimum loan amount is \$1,000.
- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower and may be included in the loan amount as long as Program loan amount maximums are not exceeded.

4.03 Interest Rate/Amortization Requirements

Generally, loans under the Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower sells, transfers title or ceases to occupy the property as his/her Principal Residence during the loan term, the loan will become due and payable.

4.04 Loan Term

- The loan term for properties taxed as real property (including Manufactured Homes) is 15 years.
- The loan term for properties taxed as personal property and within a mobile home park is 10 years.

Prior to the expiration of the applicable periods stated above, all loans are due on sale, transfer of title, or if the property ceases to be the borrower's Principal Residence.

4.05 Ineligible Improvements/Use of Funds

Ineligible improvements include, but are not limited to, the following:

- Public improvement assessments – Loan proceeds may not be used in whole or in part to pay public improvement assessments.
- Improvements already in place – Loan proceeds may not be used to pay for any work done prior to the date of the loan closing.
- Existing debt – Loan proceeds may not be used to pay off existing debt.
- Demolitions of structurally unsound outbuildings, and additions intended to accommodate a Disabled Household Resident require written approval by Minnesota Housing.

4.06 Security for the Loan

- All loans for properties taxed as real estate will be secured with a mortgage which must be recorded as soon as possible after the date of closing. Lender may not wait to record the mortgage until after the rehabilitation is completed to accommodate changes in the loan amount. In the event there are changes in the loan amount, the Lender must follow the requirements outlined in Section 6.02 of this Procedural Manual.
- Loans made in conjunction with a Manufactured Home, taxed as personal property and located within a mobile home park will be secured with a lien against the title to the Manufactured Home.

4.07 Title Verification

In connection with title to the subject property, the Lender is required to verify the following:

- The legal description of the subject property;
- The Borrower's ownership interest, and any existing liens. Title investigation may be conducted by the Lender through documented contact with the County Recorder's Office/Registrar of Titles, or with an Owner's and Encumbrances report.

4.08 Hazard Insurance Requirements

All properties must be covered by hazard insurance which meets at a minimum the following requirements:

- Insurance must be in effect on the date of the mortgage;
- Level of Coverage: Hazard insurance must be provided in an amount sufficient to cover all lien amounts or 100% of the insurable value and protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement and should be of the type that provides for claims to be settled on a replacement cost basis; and
- Mortgage Clause: All insurance policies must contain a 'standard' or 'union' mortgage clause in the form customarily used. The mortgage clause should read "Minnesota Housing Finance Agency, in care of (*insert Servicer's name and address here*).\" For specific mortgage clause language, please contact Minnesota Housing.

4.09 Rehabilitation Requirements

Rehabilitation in connection with a Program Loan must satisfy the following requirements:

- Prior to the start of rehabilitation, the property must be inspected and determined to be eligible under the Program.
- All proposed rehabilitation must be outlined in a written scope of work and must correct the emergency and accessibility needs noted in the inspection report.
- At least two bids must be solicited from Minnesota-licensed contractors based on the written scope of work. Generally, the lowest, reasonable bid must be selected. If the

lowest, reasonable bid is not selected, the Lender and the Borrower must provide written justification for selecting the higher bid and such bid must be approved at the sole discretion of Minnesota Housing.

- All improvements must be completed by contractors licensed by the State of Minnesota.
- A written construction contract must be executed between the Borrower and the contractor.
- Changes in the scope of work are not permitted unless unanticipated deficiencies that will cause further damage to the home if not addressed are identified during the rehabilitation process.
- Any change in the scope of work must be documented using the written Change Order form provided by Minnesota Housing and must be approved in advance by Minnesota Housing.
- Change Orders must be signed and dated by both the Borrower and the contractor.
- Each rehabilitation improvement must be a permanent general improvement finished in compliance with all applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Rehabilitation improvements to manufactured housing must comply with Minnesota State Building Code, Section 1350.3800, which addresses the distinction between a construction alteration and a repair and the different licensing requirements attendant to each type of improvement.
- Lien waivers must be collected from all contractors upon completion of rehabilitation.

4.10 Sworn Construction Statement and Lien Waivers

General Contractors are required to execute a Sworn Construction Statement.

Lenders must obtain lien waivers for all work performed and all materials supplied by:

- The general contractor(s);
- Subcontractors; and
- Materials supplier(s).

Upon completion of rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within 9 months of loan commitment unless Minnesota Housing issues a written extension.

4.11 Homeowner Labor

Homeowner labor is not permitted under the Program.

4.12 Eligible Emergency Improvements

Eligible emergency improvements are repairs to a property damaged as a result of events beyond the Borrower's control or as necessitated by a systems or structural failure such as:

- Failure of the heating, electrical, ventilation, or plumbing/septic system;
- Roof leaks that have led to significant secondary damage to the home's interior; included but not limited to electrical damage; that would cause a potential fire hazard;
- A structural failure of the foundation, walls, or roof of the home that could cause collapse;
- An Environmental Intervention Blood Lead Level (EIBLL) of a household resident; or
- An accessibility need that prevents a Disabled Household Resident from inhabiting the home.

Other emergency conditions that could cause the home to be or become uninhabitable will be considered by Minnesota Housing on a case-by-case basis.

Lead-based paint guidelines do not apply to Emergency and Accessibility Loans unless the repairs were necessitated by a lead paint health hazard.

4.13 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event a Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the noncompliant loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the purchase price;
- Terminate, suspend, or otherwise limit the Lender's Participation Agreement with Minnesota Housing; or
- Preclude the Lender from future participation in Minnesota Housing programs.

4.14 Repurchase of Loans

Minnesota Housing may, at its option, tender any loans to the Lender for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, Lender has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this

requirement may result in the termination, suspension, further legal action, and / or otherwise limit the Lender's Agreement with Minnesota Housing.

Chapter 5 – Commitment/Disbursement

Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program and/or initiative during any business day such as:

- A maximum dollar amount a Lender may commit; or
- A maximum number of Individual Commitments a Lender may commit.

Lender commits funds on a first-come, first-served basis. Fund balances are available on the Minnesota Housing website.

Individual Commitments are to be considered as “forward commitments” by Lender. It is expected that the loan will be submitted to gain a Purchase Approval status via the Loan Commitment System.

5.01 Requesting a Commitment

Once Lender has determined that a Borrower meets the loan requirements, an Individual Commitment of funds is requested through the Loan Commitment System.

A request for a commitment that meets the eligibility requirements in this Procedural Manual will be authorized electronically.

Commitments are valid for 45 days. All commitments will be automatically cancelled at day 46.

Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than the last day a commitment is still valid.

5.02 Modifying a Commitment

- Any change to a commitment must meet eligibility requirements and be submitted via the Loan Commitment System to qualify.
- Any qualifying commitment change will not alter the commitment period of the original commitment.
- Changing the Borrower(s) and/or the property address on a committed loan is not permitted.
- An increase to the loan amount will be permitted only if funds are available.

5.03 Canceling a Commitment

Minnesota Housing requires Lender to cancel any commitment that will not be used for the specified loan.

5.04 Transfer of Individual Commitments

Lender may not transfer commitments to another Lender without Minnesota Housing's prior written approval. Minnesota Housing staff may transfer a commitment under the following conditions:

- Lender requests in writing a transfer of the commitment to a different Lender and documents the reason;
- The new Lender must be an approved participant in the Program; and
- Original Lender must transfer and/or assign case documents to the new Lender.

5.05 Duplicate Funding Requests

Under the Program, the Lender may not cancel a Program commitment and subsequently request funds for the same Borrower/property.

5.06 Minnesota Housing Loan Purchase/Disbursement of Funds

Minnesota Housing will purchase loans with a status of Purchase Approval by the daily cutoff time, Monday through Friday, except for State observed holidays.

Emergency and Accessibility loans will be disbursed in one (1) disbursement to the Lender. Upon gaining Purchase Approval via the Loan Commitment System, 100% of the loan amount and administrative fee will be disbursed within two business days.

A Lender Certificate detailing purchase transaction details will be available only via the Loan Commitment System.

5.07 Loan Purchase Corrections

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice Lender for any funds to be returned or disburse additional funds to Lender.

Chapter 6 – Documentation Requirements

6.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- All standard loan documents must be on Minnesota Housing forms as provided and may not be altered in any way.
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Lender to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank.
- All mortgages and assignments must be recorded by the appropriate offices:
 - Abstract Property – County Recorder’s Office
 - Torrens Property – Registrar of Titles
 - Manufactured homes taxed as personal property and located within a mobile home park require that Public Safety Form 2017 (PS2017), listing Minnesota Housing as the lien holder be recorded with the Department of Public Safety.

6.02 Post Rehabilitation Closing

If the loan amount that was originally committed under this Program changes once rehabilitation is complete, the Lender must modify the Note and amend the original Recorded Mortgage to reflect the correct, final loan amount as follows:

Properties Taxed as Real Property

- Note and Mortgage – The Modification of the Note and Mortgage must be drawn in Minnesota Housing’s name, be executed by the Borrower(s) and Minnesota Housing, reflect the corrected loan amount and be recorded.

Manufactured Homes Taxed as Personal Property

- Note and Mobile Home Security Agreement – The Modification of Note and Mobile Home Security Agreement must be drawn in Minnesota Housing’s name, be executed by the Borrower(s) and Minnesota Housing and reflect the corrected loan amount.

6.03 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements. Lender must fully execute and deliver documents within designated timeframes. In addition, Lender must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/Service within the specified time frames, may result, at Minnesota Housing’s discretion, in the Lender being required to repurchase the

loan, or any such remedy as identified in this Procedural Manual. Minnesota Housing may also, at its discretion, extend the timeframes.

6.04 Records Retention

Lender must retain any and all documents (including compliance with Minnesota Housing's Program guidelines) for a period of at least six (6) years from rehabilitation completion, including, but not limited to the following:

- Records for all rehabilitation improvements including scope of work, bids, lien waivers, change orders, fees and completion certificates;
- Copy of Borrower Application;
- Written verification of all major sources of income;
- Written verification of current property ownership; and
- Documentation of the emergency or accessibility need(s) to be addressed.

Chapter 7 – Servicing

7.01 Servicing

- Each Lender will be assigned a designated servicer by Minnesota Housing.
- Minnesota Housing may, at its discretion, designate other servicers.

7.02 Delivery of Loans to Servicer

Lender must forward the loan, along with the required documentation in the prescribed order and format, to the assigned Servicer by mail within five (5) calendar days of Minnesota Housing's purchase of the loan.

7.03 Due on Sale

The loan is due upon sale of or transfer of title to the property or if the property is no longer the Borrower's Principal Residence.

7.04 Subordinations

Minnesota Housing allows subordinations only under limited circumstances and only with prior written approval. During the term of the loan, the Borrower's ability to use any equity in the property may be severely restricted.

Appendix A: Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a Borrower on the Note, such as a non-purchasing spouse.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a resident or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Disabled Household Resident	A Borrower, or household member, who has a permanent physical or mental condition, which substantially reduces the person's ability to function in a residential setting. If the disability does not require the use of a mobility device, the Borrower must provide a completed Authorization to Disclose Health Information form, or a Supplemental Security Income (SSI) award letter or Social Security Disability Insurance (SSDI) award letter.
Emergency Condition	Property damage beyond the homeowner's control or that is necessitated by a system or structural failure that has caused or could cause the home to be uninhabitable.
Environmental Intervention Blood Lead Level (EIBLL)	The level of lead in blood that requires intervention in a child under age six. This is defined as a blood lead level of 20 µg/dL (micrograms per deciliter) of whole blood or above for a single test, or blood lead levels of 15-19 µg/dL in two tests taken at least three months apart.
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.

Lender	A nonprofit, governmental entity, or other organization designated by Minnesota Housing that has as a primary purpose the provision or development of affordable housing to low income persons or households in Minnesota, with which Minnesota Housing, in its sole discretion, enters into a contract agreement for local administration of the Program.
Minnesota Housing Program Eligibility Income	Income used to meet the requirements of this Procedural Manual.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Rehabilitation	Necessary repairs to be completed on the Borrower's property.

Appendix B: Forms List

Accessibility Evaluation
Authorization to Disclose Health Information
Borrower Application
Change Order
Completion Certificate
Homeowner Agreement
Income Eligibility Calculation Worksheet
Lead Paint Checklist
Modification of Note and Mortgage
Modification of Note and Mobile Home Security Agreement
Loan Transmittal
Mortgage
Note
Note and Mobile Home Security Agreement
Signature/Record Retention Requirements